



Department of Justice

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ASSISTANT ATTORNEY GENERAL BILL BAER DELIVERS REMARKS AT A PRESS CONFERENCE ON FOREIGN EXCHANGE SPOT MARKET MANIPULATION

Remarks as prepared for delivery

WASHINGTON, D.C.

I want to thank the Attorney General – on behalf of the women and men of the Criminal and Antitrust Divisions and the FBI – for her leadership and support in prosecuting these cases. And I applaud the great teamwork from the Bureau and the Criminal and Antitrust Divisions that led to the results we are announcing today, and the ongoing cooperation in financial services cases from our colleagues at the Commodities Futures Trading Commission.

Today's guilty pleas to criminal charges represent major developments in our investigation into collusion affecting foreign exchange markets, particularly the spot market for trading U.S. dollars and euros. The antitrust guilty pleas announced today involving four major international financial institutions – Citicorp, JPMorgan Chase, The Royal Bank of Scotland and Barclays – are without precedent. In light of the seriousness of the crimes and the unjustified benefit to the bottom lines of these banks, we demanded parent-level guilty pleas, secured record fines of more than \$2.5 billion and insisted upon three years of court-supervised probation.

The dollar-euro spot market is as big as it gets. Every day about \$500 billion worth of dollars and euros are traded in this market. Trading on the dollar-euro spot market is five times larger than all U.S. stock exchanges combined.

Simply put, exchange rates are prices to buy and sell currency. They should be set competitively the same way prices are set in any type of market. Instead, the members of the aptly-named "Cartel" chatroom conspired to gain unlawful profit by manipulating these rates. The banks pleading guilty today are not ordinary market participants. They are "market makers," representing 25 percent or more of dollar-euro exchange rate transactions each year. As such, they were uniquely positioned to manipulate the market.

And that is what they did. First, they agreed to rig the 1:15 p.m. and 4 p.m. "fixes." These fixes are designed to be snapshots of the euro-dollar exchange rates at a given point in time, reported by unbiased third parties. The snapshot rates become the price paid for billions of dollars of currency bought or sold on any given day. "The Cartel" conspirators used chat room communications in the minutes and seconds leading up to the snapshot moment to move the fix

price in the direction that would be most profitable to them, thereby cheating customers who relied on those fixes to fairly reflect market prices.

Second, members of “The Cartel” also hatched plans in the chatroom to protect the conspiring banks at other times during the day by agreeing to hold off buying or selling dollars and euros. By not trading at these times, or “standing down,” members of “The Cartel” minimized price movements and helped each other close out of their open positions profitably – at the expense of customers and counterparties who expected, and were entitled to receive, a competitive dollar–euro exchange rate.

It is imperative that these banks accept full responsibility for these bad acts and carry through on their commitments to change the culture that allowed this behavior to go on for years without detection. That is why we have insisted on parent-level guilty pleas, record-level criminal penalties, ongoing cooperation with our investigations and a probation period of three years, during which time each bank’s efforts to implement effective compliance programs will be monitored.

Again, my thanks to the hard working team that produced the results we are announcing this morning. Let me now introduce the head of the Criminal Division – Assistant Attorney General Leslie Caldwell.

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